

REMARKS

Applicants wish to bring to the attention of the examiner the enclosed translated Decision of the Civil Court of Milan, Italy, in the litigation between INALCO and Oreste-Zoppetti over the title to and ownership of various Italian applications.

The Court's decision deals with the settlement of a contractual dispute between INALCO and Oreste-Zoppetti.

The decision considers six (6) patent applications stemming from Oreste-Zoppetti's work performed on behalf of INALCO. One of the six patent applications is Italian application MI2000A000665 which is the priority application herein. This application is referred to at page 5, line 3 of the translated Decision.

The judge, in the course of his decision, made the following pronouncements:

In accordance with Italian Patent Law, INALCO's ownership of the six patents is indisputable, being the clear and unmistakable consequence of the contract undertaken by Zoppetti/Oreste with INALCO.

The obvious consequence of the Judge's pronouncement is that the contested application of Zoppetti/Oreste (US 09/950,003, which is identical in-part to MI2000A000665, and obvious in the remaining parts) is the property of INALCO as well.

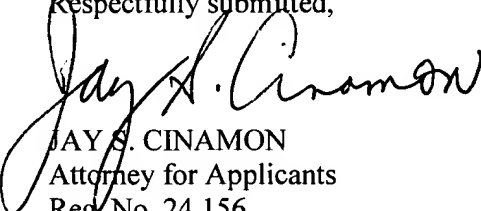
The Judge also stated that INALCO's ownership of said patents is valid independently from any considerations of equitable remuneration of the inventors.

While the Judge found that Zoppetti/Oreste were entitled to a certain amount of additional compensation, he stressed that the patent ownership remains in any event with INALCO. This Decision confirms even more clearly that INALCO's ownership of the invention and of the patent rights is purely and simply a matter of law. While Zoppetti/Oreste may argue about their past relationship with INALCO, they cannot alter the language of the contracts which they signed, and which, most definitely, assigned all patent rights to INALCO.

The applicants also respectfully request the examiner to take note of the fact that any grant of patent rights in the subject US application serial number 09/950,003 would represent an unjust reward to them, since their application is identical to MI2000A000665 – upon which they allegedly claim priority -- which has been found by the annexed Decision of the Italian Court to be the property of INALCO.

There is also a proceeding which is now pending before another judge asking for a specific reassignment of the subject application to INALCO.

Respectfully submitted,


JAY S. CINAMON
Attorney for Applicants
Reg. No. 24,156

ABELMAN, FRAYNE & SCHWAB
150 East 42nd Street

New York, New York 10017

(212) 949-9022

(212) 949-9190



TRIBUNALE ORDINARIO DI MILANO

N° ISCRIZIONE

10554

VERBALE DI GIURAMENTO DI TRADUZIONE STRAGIUDIZIALE DI TRADUTTORE ISCRITTO ALL'ALBO DEL TRIBUNALE DI MILANO



L'anno 2005 e questo giorno 01 del mese di GIUGNO nella
Cancelleria del Tribunale Ordinario di Milano avanti al sottoscritto
Cancelliere è personalmente comparsa la signora Ventura Ippolito Morelli
Nata a Milano il 14.02.70 residente in MILANO
Via C. SO SEMPIONE 76, identificata con documento
CARTA D'IDENTITÀ N° A58212487, rilasciato da COMUNE DI MILANO
Il 06-08-2003 iscritta nell'Albo dei Traduttori del Tribunale di MILANO
Al n. 10554 per la/e lingua/e INGLESE, FRANCESE, SPAGNOLA,
la quale esibisce la traduzione che precede in lingua ITALIANA, da
lui/lei effettuata in data 31.05.05 e chiede di poterla giurare ai sensi di
legge.
Ammonita ai sensi dell'art. 193 c.p.c. e dell'art. 483 c.p. la comparsante
presta il giuramento ripetendo le parole: "Giuro di aver ben e fedelmente
proceduto alle operazioni e di non aver avuto altro scopo che quello di far
conoscere la verità".
Si raccoglie il presente giuramento di traduzione stragiudiziale per gli usi
consentiti dalla legge (1).



V. I. Morelli



IL CANCELLIERE C1
Arcangelo Carozza

01.06.2005 019323

NOTA BENE:

L'Ufficio non assume alcuna responsabilità per quanto riguarda il contenuto
della traduzione asseverata con il giuramento di cui sopra.

(1) R.D. 1238/39; L. n° 443/2000; L. n° 319/80 e Direttive CEE 92/51.

4080

2005

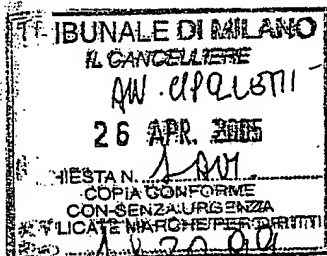
SENTENZA N.

REG. GEN. N. 70739/00 + 9656/01 + 13889/01

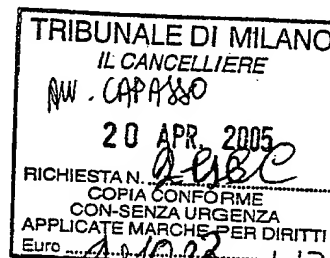
REG. DEP. N.

SENTENZA N°:

REPERTORIO N°:



REPUBBLICA ITALIANA
IN NOME DEL POPOLO ITALIANO
IL TRIBUNALE DI MILANO
SEZIONE 1^ CIVILE



in persona del dr. Domenico Bonaretti, giudice monocratico, ha pronunciato la seguente

SENTENZA

nelle cause civili riunite iscritte ai numeri di ruolo generale sopra riportati,
promosse da

Inalco spa, con l'avv. Marina Cipolletti,

ATTRICE (nella causa RG 70739/00)

ATTRICE-OPPONENTE (nella causa RG 13889/01)

CONVENUTA (nella causa RG 9656/01)

contro

Giorgio Zoppetti, Pasqua Oreste e Glycores 2000 srl, con gli avv. Lionello
Leoni e Gaetano Capasso,

Zoppetti e Oreste

CONVENUTI (nella causa RG 70739/00)

Zoppetti e Oreste

CONVENUTI-OPPOSTI (nella causa RG 13889/01)

Zoppetti, Oreste e Glycores 2000 srl

ATTORI (nella causa RG 9656/01)

OGGETTO: Illecito contrattuale, risoluzione, risarcimento danni.

CONCLUSIONI



RULING NO. 4080/2005

ENTERED IN LIST OF CASES UNDER REF. NO'S 70739/00+9656/01+13889/01

ENTERED IN THE CENTRAL ARCHIVE

FILE REF. 3405/05

REPUBLIC OF ITALY

IN THE NAME OF THE ITALIAN PEOPLE,
THE FIRST-DEGREE CIVIL DIVISION OF THE COURT OF MILAN

in the person of Mr Domenico Bonaretti, a monocratic judge, carried the following

RULING

in the combined civil proceedings entered in the list of cases under the above reference numbers, initiated by

INALCO S.p.A., assisted by the lawyer Ms Marina Cipolletti

Plaintiff (in lawsuit entered in list of cases under ref. 70739/00)

Plaintiff-opponent (in lawsuit entered in list of cases under ref. 13889/01)

Defendant (in lawsuit entered in list of cases under ref. 9656/01)

against

GIORGIO ZOPPETTI, PASQUA ORESTE and GLYCORES 2000 S.r.l., assisted by the lawyers Mr Lionello Leoni and Mr Gaetano Capasso

Zoppetti and Oreste Defendants (in lawsuit entered in list of cases under ref. 70739/00)

Zoppetti and Oreste Defendants-opponents (in lawsuit entered in list of cases under ref. 13889/01)

Zoppetti, Oreste and Glycores 2000 srl Plaintiffs (in lawsuit entered in list of cases under ref. 9656/01)

Re.: breach of contract, rescission, claim for damages

CONCLUSIONS

OMISSIS

EXECUTION OF PROCESS

... By way of a notice of summons served on 13.12.2000, Inalco spa summonsed Messrs Giorgio Zoppetti and Pasqua Oreste to appear before this Court, stating that:

- it was the parent company of a number of companies operating in the chemical-pharmaceuticals sector, including the subsidiary RSM spa, which – as owner and manager of the research laboratory situated at Montale (PT) – had entered into a collaboration agreement on 15.2.94 with Messrs Zoppetti and Oreste for the study and development of new polysaccharides of industrial interest;
- the aforesaid agreement, renewed on an annual basis until 2000 (specifying that it had been taken over by Glycores 2000 srl, the company of Messrs Zoppetti and Oreste, with effect from 1.3.99) required Messrs Zoppetti and Oreste to provide consulting services in respect of original and industrial development projects regarding polysaccharides or glycosaminoglycans (be they their own or those proposed by RSM) and to manage all activities from the preliminary research stage, stipulating also that all inventions originating from such activities would be the property of RSM (which subsequently agreed with the parent company Inalco to register any such inventions in the name of the latter) and establishing a monthly fee for said activities, initially set at lire 12 million (plus VAT) and then modified on a yearly basis, as agreed by the parties, every time the agreement was renewed;
- after the first patent application had been deposited on 4.11.94 (filed under application no. MI94A002240 and bearing the title "*polysaccharides with a high hyaluronic acid content*"), Messrs Zoppetti and Oreste entered into a further agreement with Inalco (23.1.95), whereby the former would receive royalties in the order of 2.5% of the net selling price of products manufactured by Inalco as part of its direct industrial exploitation

of the aforesaid patent application, while in the event that a licence was granted to third parties or the patent was transferred, in full or in part, the parties would have agreed as to the fee due (*"the royalties"*) on an individual case basis, which would in any event be for an amount of no more than *"10% of the net revenues of Inalco, an agreement that may not be unreasonably denied"* (document 4);

- a similar agreement was stipulated on 21.4.97, after another patent application had been deposited on 7.2.97 (filed under application no. MI97A000252 and bearing the title *"bacterial O-sulphate polysaccharides"*, documents 11 and 12);
- on 25.10.00, after relations between the parties had been interrupted, Messrs Zoppetti and Oreste asked Inalco to pay royalties totalling US\$ 270,000 (plus VAT), which was equal to 10% of the fee that they claimed had been received from Inalco for the transfer of patents to the Finnish company Biotie;
- Inalco disputed this request, sustaining that the royalties would be paid *"upon fulfilment ... of the conditions laid down by the agreements"* (document 10), that applying 10% as a percentage was completely arbitrary, given that the parties had not agreed on an exact amount, and that in any case it would have to deduct whatever had been paid by Inalco during their relations from the amount requested as advance royalties.

In view of these premises, Inalco asked the Court to verify the invalidity of Clause 2 of the agreements dated 23.1.95 and 21.4.97 *"due to the failure to meet the requirements laid down by Article 1346 of the Italian Civil Code"*, consequently verifying *"that nothing is due in the form of royalties to the defendants ..."* in relation to the two aforementioned patents ('2240 and '252), as a result of licensing agreements being stipulated with third parties.

In such a deep-rooted case, which was assigned the reference number 70739/00 in the list of cases, Messrs Zoppetti and Oreste emerged as defendants, stating that Inalco had arbitrarily broken off their ongoing relationship, regulated by an agreement that was to be supplemented – whenever a particular invention of the defendants was the subject of a patent application – with agreements regarding the royalties due should the inventions

themselves ever be used (directly by Inalco, or indirectly, further to "production rights" being transferred in full or in part to third parties. Noting that in the case of the five inventions realised, a patent had been granted and agreement stipulated for the first and third, a patent had been granted but no agreement stipulated for the second, and patent applications had been deposited but there were no agreements or patents in place for the fifth. The defendants, noting that the rights pertaining to the second and third patent had been transferred to the Finnish company Biotie, thus formally acknowledged that it had already filed an appeal for injunction and obtained an order, served on 19.1.01, for the payment of royalties in the order of lire 385,480,000, disputed by the plaintiff summonsed to the Court; they denied receiving advance royalties (claiming that the payments indicated by Inalco had been effected for other reasons) and affirmed that they were entitled, due to the transfer of the patents, to a fee of 10% or, where so determined by the judge, to another amount. The defendants also asked, as part of counterclaim proceedings, that not only the plaintiff be ordered to pay the fees still due to them but that it also be verified that Inalco's exercising of the patent rights for very invention was subject to the stipulation of individual agreements governing both the amount of royalties due by Inalco for any direct production and amount of fees payable for the transfer or licensing of same rights to third parties.

By way of a notice of summons served on 2.3.01 and acting against the injunction obtained by Messrs Zoppetti and Oreste for lire 385,480,000 plus additional costs, Inalco filed its protest, citing the same reasons as those already produced as part of the first case.

Messrs Zoppetti and Oreste also presented themselves as the plaintiffs in the opposition proceedings (identified with reference number 13889/01 in the list of cases), reiterating the requests and reasons already presented. This suit, after provisional execution was refused, was combined with the first one.

As part of default proceedings, however, by way of a notice of summons served from 13.2.01, Zoppetti, Oreste and Glycores 2000 srl initiated another lawsuit against Inalco (this lawsuit being assigned reference number 9656/01 in the list of cases), requesting the

X
1010
verification of the unlawfulness of the rescission of the collaboration agreement in place with Glycores 2000 srl, and of the fact that – with Inalco's exercising of the rights arising from a further patent (the sixth patent, deposited on 30.3.2000 under number MI2000A000665) subject to the stipulation of the usual agreement regulating the level of fees payable to the inventors for its direct or indirect enjoyment of said rights (an agreement that was not forthcoming, and since the contract alluded to was rescinded prior to the perfection of the procedures initiated with the depositing of the patent application on 30.3.2000, the invention was once again completely available to Zoppetti, Oreste and Glycores, or rather, as a result of this, Glycores was entitled to fees that would need to be determined by the judge.

As plaintiff, Inalco - again requesting that the adversary requests be rejected - this suit (assigned to the same judge) was also combined with the previous suits and, with attempts to come to a conciliation having failed, briefs that respectively objected to the conflicting requests having been exchanged, and the verbal evidence assumed having been accepted in part, the judge invited the parties to make their conclusions clear; therefore, with the necessary measures having been accomplished in keeping with the terms and deadlines set forth in the legend, he ordered the exchange of conclusions put down in writing, holding back the suit from any decision.

REASONS FOR THE DECISION

The decision taken with regard to this dispute requires a series of issues – to be examined separately and in detail - to be resolved, even if presented in highly summarised form.

OMISSIS

... As regards the patent rights, the Court is unable to accept the notion put forth by the inventors that these rights, for Inalco, would have been subject to the actual stipulation of individual agreements supplementing the basic agreement for further fees payable to the inventors or that would in any event become payable to the inventors, as a result of Inalco/RSM rescinding the agreement prior to the perfection of the procedures initiated with the depositing of applications for a number of patents.

Such an idea is not backed up in either the wording of the underlying agreement or in the previously mentioned legal provisions for fees not determined by the parties and for which an appeal may be made for the issue under discussion (Articles 23 and 24 of the agreement in question, as well as – where appropriate - Article 64 of the Italian Penal Code).

Indeed, the basic agreement dated 15.2.94 quite simply and clearly stated that, if a collaboration arrangement formed between companies and inventors for the activities foreseen led to *"original and patentable results, the parties undertook to deposit a patent application in the name of RSM, indicating Zoppetti-Oreste as the inventors"* (Article 4 of Inalco document 1) and also required undertakings to be updated *"in the event of a project being started up as a result of favourable results being achieved after the preliminary stage ..."* (Article 3 of the aforesaid document).

There is no other mention of subsequent special fees (payable in one or more instalments) being mandatory, nor of their being connected by a special tie synallagmatic to the realisation of the invention, or rather to the 'granting' of the right to register the patents in one's own name.

This particular case therefore concerns inventions and patents that may be associated in the context of an agreement that, by remunerating and expressly providing for invention-oriented activities, involves the client enjoying the rights pertaining to inventions directly.

This gives rise to the requirements set forth in the applicable legislation, which lay down rules of a public-law nature from which a departure cannot definitely be made implicitly: *"when an invention is realised whilst executing or fulfilling an agreement or an employer-employee relationship ... the rights belong to the employer"* (Article 23, paragraphs 1 and 2, as well as at present paragraphs 1 and 2 of Article 64 of the Italian Penal Code), while, *a contrariis*, Article 24 of same agreement and in this instance paragraph 3 of the aforesaid Article 64 bestow upon the employer a pre-emption or option right that within a limited timeframe solely for those inventions of the 'employee' that fall outside the above employer-employee relationship, where said inventions fall inside his employer's area of activity.).

Within this context, however, it would seem necessary to read the contractual agreements reached, based upon which the rights under discussion would not appear to be connected to or conditional upon (as would instead be desired by the inventors) subsequent agreements devised, in the case of a patent and its enjoyment, to add further variable fees to the fixed fees already established.

Suffice it to note that these subsequent agreements were effectively reached by the parties in 1995 and 1997 in respect of the two patents already mentioned above, and that these agreements, even for the indirect exploitation of patents (which of course presumes the existence of a particular situation as regards ownership, which has already been clearly defined) lead to further agreements, the lack of which has indeed formed a point of debate in this case.

Another issue therefore concerns the ownership of the patent rights assumed by RSM/Inalco, where said ownership is an absolute right that *per se* involves the right to exploit a patent.

Another issue, however, concerns the 'additional fees' foreseen where the patent is effectively exploited, such that it would not appear possible for the first issue to be disputed reasonably (regardless of whether or not side agreements relating to fees are subsequently stipulated or the basic agreement is rescinded), while the inventors are immediately vested with the necessary standing and moral right, and are subsequently entitled to a credit arising from earnings, for an amount determined or to be determined by the parties or by the judge, as has actually happened.

OMISSIS ...

Milan, 13 April 2005

Signed:

Domenico Bonaretti

Judge

Signed:

Luigi Camuto

Chancellor

Court of Milan, deposited today, 13 April 2005

Signed:

Luigi Camuto

Chancellor

lli, 31 maggio 2005
V. G. Marchi

**This Page is Inserted by IFW Indexing and Scanning
Operations and is not part of the Official Record**

BEST AVAILABLE IMAGES

Defective images within this document are accurate representations of the original documents submitted by the applicant.

Defects in the images include but are not limited to the items checked:

- ☐ **BLACK BORDERS**
- ☐ **IMAGE CUT OFF AT TOP, BOTTOM OR SIDES**
- ☐ **FADED TEXT OR DRAWING**
- ☐ **BLURRED OR ILLEGIBLE TEXT OR DRAWING**
- ☐ **SKEWED/SLANTED IMAGES**
- ☐ **COLOR OR BLACK AND WHITE PHOTOGRAPHS**
- ☐ **GRAY SCALE DOCUMENTS**
- ☐ **LINES OR MARKS ON ORIGINAL DOCUMENT**
- ☐ **REFERENCE(S) OR EXHIBIT(S) SUBMITTED ARE POOR QUALITY**
- ☐ **OTHER:** _____

IMAGES ARE BEST AVAILABLE COPY.

As rescanning these documents will not correct the image problems checked, please do not report these problems to the IFW Image Problem Mailbox.